

Endowment Fund Investment Board

STARS Number & Budget Unit: 322 LABA, 322 LABB(Cont)

Bill Number & Chapter: H764 (Ch.195), H805 (Ch.282)

PROGRAM DESCRIPTION: Through active management of the endowment funds and the State Insurance Fund, the Endowment Fund Investment Board provides growth of principal to the funds and increased income to the funds' beneficiaries.

DIVISION SUMMARY:	FY 2003 Total Appr	FY 2003 Actual	FY 2004 Total Appr	FY 2005 Request	FY 2005 Gov Rec	FY 2005 Approp
BY FUND SOURCE						
Dedicated	587,600	534,400	630,300	547,300	550,200	550,200
Percent Change:		(9.1%)	17.9%	(13.2%)	(12.7%)	(12.7%)
BY EXPENDITURE CLASSIFICATION						
Personnel Costs	390,000	335,400	408,800	335,800	338,700	338,700
Operating Expenditures	193,100	181,500	215,700	206,500	206,500	206,500
Capital Outlay	4,500	17,500	5,800	5,000	5,000	5,000
Total:	587,600	534,400	630,300	547,300	550,200	550,200
Full-Time Positions (FTP)	5.00	5.00	5.00	4.00	4.00	4.00

In accordance with Section 67-3519, Idaho Code, this division is authorized no more than 4 full-time equivalent positions at any point during the period July 1, 2004 through June 30, 2005 for the programs specified.

DECISION UNIT SUMMARY:	FTP	General	Dedicated	Federal	Total
FY 2004 Original Appropriation	5.00	0	630,300	0	630,300
Estimated Reversion	(1.00)	0	(54,000)	0	(54,000)
FY 2004 Estimated Expenditures	4.00	0	576,300	0	576,300
Removal of One-Time Expenditures	0.00	0	(5,800)	0	(5,800)
Base Adjustments	0.00	0	(27,000)	0	(27,000)
FY 2005 Base	4.00	0	543,500	0	543,500
Personnel Cost Rollups	0.00	0	5,200	0	5,200
Replacement Items	0.00	0	5,000	0	5,000
Nonstandard Adjustments	0.00	0	(9,200)	0	(9,200)
Change in Employee Compensation	0.00	0	5,700	0	5,700
Fund Shifts	0.00	0	0	0	0
FY 2005 Total Appropriation	4.00	0	550,200	0	550,200
Change From FY 2004 Original Approp.	(1.00)	0	(80,100)	0	(80,100)
% Change From FY 2004 Original Approp.	(20.0%)		(12.7%)		(12.7%)

APPROPRIATION HIGHLIGHTS: The Estimated Reversion reflects eight months salary savings due to the elimination of one of the in-house assistant investment managers. The Base Adjustments reflect the removal of the other four months of salary. The Endowment Fund Investment Board decided to outsource all fixed investments. Personnel benefit costs were funded. No inflationary increases were funded. Replacement items included \$3,000 for computers and \$2,000 for office furniture. Nonstandard adjustments reflect changes in Attorney General, Controller fees, risk management rates and a voluntary reduction of \$10,700 due to increased efficiencies. A 2% Change in Employee Compensation (CEC) increase was fully funded, with an additional one-time 1% CEC contingent upon a prescribed ending balance in the General Fund at the end of fiscal year 2004 (H805). The fund shift includes a decrease of \$20,200 in the Endowment Administrative Fund and an increase of \$20,200 in the Miscellaneous Revenue Fund to account for an increase in the percentage of the State Insurance Fund's portion of the portfolio from 26.6% to 30.1%. Section 3 of H764 provides continuous appropriation authority for consulting fees, bank custodial fees and portfolio-related external costs for fiscal year 2005. Actual costs paid through the continuous appropriation were \$2,528,072 million for FY 2003 and are estimated to be about \$3 million for FY 2004 and \$3.2 million for FY 2005.

LEGISLATIVE INTENT: Section 4 of H764 summarizes the \$37,676,200 that JFAC expects the Endowment Fund Investment Board to transfer to the beneficiaries in FY 2005. These are the amounts JFAC used to set the FY 2005 budget for the affected agencies: \$22,957,800 for Public Schools; \$760,800 for Agricultural College; \$2,814,900 for Charitable Institutions; \$2,741,300 for Normal School; \$1,134,200 for Penitentiary; \$3,136,900 for Scientific School; \$1,499,400 for Mental Hospital; and \$2,630,900 for University.

OTHER LEGISLATION: H509 clarified that the Endowment Fund Investment Board can commingle Permanent and Earnings Reserve Funds for the purposes of investment. H508 allowed a prudent investment policy to be developed for the Judges Retirement Fund, subject to the review and approval of the Supreme Court. Removing investment policy from statute allowed greater flexibility to diversify the portfolio, improved the risk/return profile and decreased costs. S1306 increased from four years to ten years the time period by which investment losses incurred by the Public Schools Permanent Endowment Fund must be repaid.

FY 2005 APPROPRIATION:	FTP	Pers. Cost	Oper Exp	Cap Out	T/B Pymnts	Lump Sum	Total
D 0349-00 Miscellaneous Rev	1.60	102,800	46,000	0	0	0	148,800
OT D 0349-00 Miscellaneous Rev	0.00	0	0	1,500	0	0	1,500
D 0482-70 Endowment Admin.	2.40	235,900	160,500	0	0	0	396,400
OT D 0482-70 Endowment Admin.	0.00	0	0	3,500	0	0	3,500
Totals:	4.00	338,700	206,500	5,000	0	0	550,200